

HISTORY OF COAL IN TOWN OF WESTVILLE

In order to properly understand the problems facing the Town of Westville, which are similar to many other towns in the Maritime Provinces, it is necessary to review briefly the history of coal operations in the said Town. Nearly one hundred years ago the Intercolonial Coal Company Limited obtained a lease for what was known as the Westville Main Seam. During a period of some 80 years the Intercolonial Coal Company operated a mine in the Town of Westville, employing seven or eight hundred men, and consistently producing a good grade of coal which they were able to market at a profit. During the said period of eighty years the Intercolonial Coal Company operated at a profit and was the main industry in the Town of Westville. Some seven years ago the Intercolonial Coal Company found that they did not have sufficient coal reserves left in the area covered by their leases to continue operating on a large scale. They applied to the Acadia Coal Company, a subsidiary of Dosco, for an extension of their lease into the remainder of the Westville Main Seam, which was leased to the said Acadia Coal Company. However, altho the Acadia Coal Company were not operating in the Westville area, and the Intercolonial Coal Company offered them a substantial royalty of from 10¢ to 25¢ per ton for every ton mined, their request was refused. So, altho the Intercolonial Coal Company had operated a mine in this main seam for well over 80 years and had a capable staff, as well as miners who knew the seam, and with a plant and equipment geared for the job, it was necessary for them to cease operations and liquidate the company. It is our strong opinion that the Nova Scotia Government should at that time have faced up to its responsibility and arranged that the lease held by the Acadia Coal Company, a Dosco subsidiary be transferred to the Intercolonial Coal Company Limited.

The result was that the Intercolonial Coal Company Limited went out of business and the remainder of their leases was purchased by the Drummond Coal Company, who have been carrying on a cleaning up operation in the seam for the past seven years, employing at the present time less than 90 men. These men are employed at the most 3

or 4 days a week and in the near future the working force will probably be still further reduced.

COST OF PRODUCTION

It is our submission that the cost of production of coal in the County of Pictou is far too high and the main reason for this is the fact that control of all important coal leases in the County is held by Dosco. A few years ago, the method of mining coal in the County of Pictou was what is known as the "Bored and Pillar Method". This was changed to the long wall method by Dosco. However, we submit that the Bored and Pillar method is by far the most economical method of working thick coal seams in the County of Pictou.

It is true that the long wall method works well in low seams. However, in the Pictou County seams the result was the loss of 2/3 of the coal.

Another reason for the high cost of production in the coal mines in Pictou County operated by Dosco is that, both underground and over-ground, there are far too many non-productive officials in ratio to the productive workers. Also, the general efficiency of management in Dosco operations in the said County of Pictou has been very poor, with the resulting high cost per ton of coal to the consumer.

Our submission is that the solution to this problem in the County of Pictou is the cancellation of all leases held by Dosco which are not being worked at the present time. It is well known that there are large quantities of good coal in the County of Pictou and we feel that if the leases were open to anyone who wished to take them up, then there would be several small operations started which would be run on a more efficient basis. These small operations would give employment to a great many of the former miners in this area who are now unemployed and unable to find employment due to the fact that they are over 40 or 50 years of age.

INDUSTRIAL DEVELOPMENT

It is submitted that the only real hope and solution to the problem of coal in the Maritime Provinces is the development of industry in this area which will provide a sufficient market for all

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coal that could be produced. Coal is linked to the industrial development of the area and we submit that the problem of coal can not be considered without also considering what steps must be taken to foster industrial development in the Atlantic Provinces. Let us briefly look at the problem of Industrial Development and our suggested solution.

(a) Problem:

Due to the Atlantic Provinces' geographic location at the extreme east of the federated provinces that make up the Canadian Nation, some one thousand miles from the main centres of population in Ontario and Quebec, it is impossible for most manufacturing industry in the Atlantic region to compete with Central Canadian industry in the production and marketing of goods. The problem is further aggravated by the fact that the natural markets for the Atlantic region to the south on the eastern seaboard of the United States are shut off by protective tariffs, and raw materials that could be imported from that source to assist Atlantic provinces' industry are subject to the same prohibitive tariffs imposed to protect Canadian industry. The population in the Atlantic region is not sufficiently large to absorb the production of industry large enough to be operated economically, yet for the above reasons it is impossible for them to compete in the Central Canadian Market. Another aspect of the problem is the fact that in many cases raw materials used in the manufacturing process in the Atlantic region must be brought in from the central provinces at great cost, thus adding considerably to the price of the finished article when manufactured. At the present time, about the only industries operating successfully in the Atlantic region are those engaged in the extraction and marketing of the natural resources of the region. However, this is continually declining and will reach a point of no return as the natural resources are depleted. Despite this geographic handicap which makes the growth of industry virtually impossible in this particular region of Canada, the federal government gives no concessions in the way of tax relief and the manufacturer in the Atlantic provinces must pay high taxes on what little profit he succeeds in earning, without receiving in turn any compensating benefit from the same federal government.

(b) Solution:

The great railway system which links the various Canadian provinces was financed by the taxpayers of Canada as a whole and is supported by the Canadian taxpayers for the good of the nation, not for the good of any particular sector of the nation. However, it has not worked out this way. Ontario and Quebec have derived terrific benefits from the government-owned railway system, but the Atlantic region, due to the increasingly high freight rates, has suffered.

IF ALL GOODS MANUFACTURED IN THE ATLANTIC REGION FOR EXPORT FROM THE SAID REGION WERE CARRIED FREE OF FREIGHT RATES TO THE QUEBEC-NEW BRUNSWICK BORDER FROM THE POINT OF MANUFACTURE, AND ALL RAW MATERIALS USED IN MANUFACTURING IN THE ATLANTIC REGION WERE CARRIED FREE OF FREIGHT RATES FROM THE QUEBEC-NEW BRUNSWICK BORDER TO THE MANUFACTURING POINTS IN THE REGION, THEN, AND ONLY THEN, WOULD THE MANUFACTURING INDUSTRY IN THE FOUR ATLANTIC PROVINCES BE ON A TRULY EQUAL AND COMPETITIVE BASIS WITH ITS OPPOSITE IN QUEBEC AND ONTARIO.

(c) Observations:

Before dismissing the above solution as impractical it would be well to consider the following factors, namely:

That the subventions which would enable this plan to be carried out would apply only on goods manufactured in the region and moving out of the region and not on the movement of goods within the region or on raw materials moving out of the region. Also, only raw materials used to complete a finished product within the region would be affected when they entered the region. At present time there is an ever decreasing amount of manufactured goods moving out of the region annually.

Also, it should be remembered that once the finished product crossed the Quebec-New Brunswick border it would pay full freight rates on the prevailing scale to its ultimate destination from the said border, and raw materials moving into the region for manufacturing purposes would pay freight rates from point of origin to the said Quebec-New Brunswick border.

The cost of such a system of subventions would be greatly offset by the decrease in Unemployment Insurance Benefits paid in the region, the much higher collection of income taxes from employees and employers alike in the region and the many other financial gains derived by

the federal government from a healthy economy.

There is ample precedent in our present freight rate structure for such a system of subventions when deemed advantageous for a particular section of the **economy**. Subventions are paid for the movement of feed grains from the Prairie provinces and other specific assistances are given to particular goods or regions in Canada. The railway system in the Atlantic region at the present time is not being used to anywhere near its full capacity, and the increased use such a plan would give to the system would not increase the total cost of the railway operation in the region by such an excessive amount as to be prohibitive. Rather, the cost ratio would increase by a lesser amount the nearer the railway system would reach full operational capacity.

The industrial revival which would take place in the Atlantic region if such a plan were put into effect would show in every sector of our economy. The demand for power needed in such an industrial expansion would create in turn a tremendous demand for coal which would provide a ready market for our coal mines and full employment for our coal miners. Also, as most of the coal produced in the region could then be readily used in the Atlantic region, the amounts paid by the federal government for subventions on the movement of coal would be substantially reduced. The raw materials produced in the region would then be used in the same area and the additional money put into circulation from full industrial employment would benefit the farmers, merchants, and all sections of the economy of the region.

The history of the past fifty years in the Atlantic region is that due to the ever-increasing freight rates established industry has been in ever-greater difficulties and many industries have left the region and moved to Central Canada. On the other hand, despite many natural attractions and the skilled labour force available it has proved almost impossible to persuade new industries to locate in the region. Provincial and federal governments have made capital available to both new and established industry in the region who wish to locate or expand. However, such inducements have proved of little value against the geographic location and the prohibitive freight rates facing those who wish to manufacture and market goods on the Canadian market.

It is submitted that the herein outlined plan would place the

Atlantic region on an equal footing with the rest of Canada and finally fulfill the promises that were made at the time of Confederation. The great vision of an equal and prosperous nation held out at that time will always remain an **empty** mockery as long as the Atlantic region is allowed to lag behind due to its geographic position. The position of the Atlantic provinces as the "have not" area of Canada would be quickly changed if such a plan were effected and in a short time the Canadian nation as a whole would benefit.

ECONOMIC & SOCIAL CONSEQUENCES OF THE CESSATION OF MINING OPERATIONS

The economic and social consequences of the cessation of mining operations in any one district can be clearly seen in the Town of Westville. As stated previously, our Town had, a few years ago, more than six hundred men employed in mining. Today there are less than a hundred employed for a few days a week. As a consequence of the Intercolonial Coal Company ceasing operation, the Town of Westville lost \$15,000.00 annually in taxes and \$1200.00 annually in water rates. Some two hundred of the town's younger men, who were married with children, had to leave the Town and the Province in order to make a living for their families.

This has caused a rise in the tax rate from 7¢ on the dollar to 9.5¢, which is paid in the most part by the home owners and is a heavy burden. About half of the best homes in Westville are owned by old age pensioners and widows, with the net result that the Town cannot hope to get enough revenue to meet the bare maintenance costs. The Town cannot sell debentures, borrow money, or raise money from any public source. Real property values are going down each year, causing a further loss in revenue. It is almost impossible for anyone to sell real property in the Town of Westville and none of the Provincial Mortgage Companies will loan money on real estate in the said Town. As a net result, the Town is rapidly going bankrupt and no solution can be seen by the Town Council unless either a new coal mine is opened to utilize the abundant supply of coal available, or industries of some type are established which in turn will create a demand for coal.

CONCLUSIONS

We would like to have independent research relative to costs and potential markets for improved coal in the form of pellets or chemical breakdown similar in purpose to that applied to low grade ore, whereby a higher BTU content might be attained, or a predetermined chemical content so that the refined product might be used as a special fuel in industry, or in a more refined state might be more acceptable as a domestic fuel.

Public preference has changed very rapidly in the past twenty years in regard to fuel, and the industry is still offering substantially the same products to a clientele that has become actively interested in other fuels.

We would also recommend a broad survey of changes made in other countries where the coal industry is undergoing a transition period similar to ours.

We are convinced that coal, as an element of power or as a source of valuable by-products, has a future in our economy, but as long as the industry in this province is dominated by one large corporation that has many more lucrative interests, and as their corporate structure requires extraordinary overhead costs, we can not look to them to guide us out of the wilderness of corporation policy, market service, research information or possible improved or refined products.

We are the people who are victims of circumstances beyond our control, and we would like to get up-to-the-minute information without prejudice of company, government, politician, or individual, but rather a report of actual circumstances as they pertain to this element "Coal".

With this information we could then direct our efforts toward creating a future for our people using this element as a basis or be convinced that our future livelihood will have to come from other pursuits.

If the latter choice is indicated, then an industrial environment will have to be created that will be conducive to financial returns for risk capital, more attractive than in the past, and sufficiently well based, that capital can be invested with the assurance that conditions so created will not be changed for political advantage or expediency.

Many of our industries have been long established and have been depreciated to the point that a profit is shown only because the book value for depreciation purposes is so far below replacement values.

In large measure, these are the Maritime industries to which we point with pride, and convince ourselves that business and industry can prosper in the Maritime Provinces.

In many cases, however, if replacement values were used in capital structure the profit after depreciation would not exist.

In a new industry the capital structure would be on present-day costs, and allowing for depreciation and replacement they cannot be shown to be as attractive to capital as bonds or securities in government or long established industry in other areas.

In large measure, in the Maritime Provinces fixed assets are not negotiable as securities for loans and fixed assets must be financed out of profits or with borrowed capital.

Bank loans are made chiefly on liquid assets and long term financing is available only at very high money costs, or on the condition of personal guarantees by the Directors of the Company borrowing.

If there is a sincere desire on the part of the federal government to alleviate our difficulties, they will have to acknowledge that the Atlantic Provinces cannot keep pace with the rest of Canada until:

1. The geographic barrier is removed from industry by the equalization of freight rates as submitted heretofore.
2. We should not be required to pay American prices for manufactured goods, plus import duty, plus transportation costs from Quebec and Ontario unless we have a compensating financial advantage.
3. The federal treasury levies up to 50% on the profits derived from the few successful enterprises we have in the Atlantic Provinces; therefor at least a substantial portion should be returned in the form of active assistance and betterment of the industry concerned. It should be kept in mind that taxes are paid by employees as well as industry and, at least in the Atlantic Provinces, it should be returned to foster industry that does not benefit from our tariff structure.
4. The solution to our problem is going to come only when all parties concerned face reality and personal and political consideration are entirely removed from the subject.

Archie L. Macpherson
Mayor
Westville, N.S.

